Chapter 3 – Income from Salaries

Basis of Charge [Section 15]

Basis of Charge [Section 15]	
1.	Salary is chargeable to tax either on 'due' basis or on 'receipt' basis, whichever is earlier.
2.	However, where any salary, paid in advance, is assessed in the year of payment, it cannot be subsequently brought to tax in the year in which it becomes due.
3.	If the salary paid in arrears has already been assessed on due basis, the same cannot be taxed again when it is paid.
If an employee works with more than one employer, salaries received from all the employers would be clubbed and brought to charge for the relevant previous year.	

Taxability/Exemption of Certain Allowances

Section	Allowance	Exemption	Regime
10(13A)	House Rent Allowance	Least of the following is exempt: 1. HRA actually received 2. Rent paid less 10% of salary 3. 40%/50% (for Delhi, Mumbai, Kolkata, Chennai) of salary Salary = Basic Salary + DA (in Terms) + Commission on Turnover	Old
Important Question: Question 3			
10(14)(ii)	Children Education Allowance	₹100 per month per child (maximum two children)	Old
	Transport Allowance (From Work to Home)	₹3,200 per month (only for blind, deaf and dumb, or orthopedically handicapped employees)	Both
	Hostel Allowance for Employee's Children	₹300 per month per child (maximum two children)	Old
Important Questions: Questions 4, 5			

Exemption of Terminal Benefits [Both Regimes]

Terminal Benefits are those which are received at the time of retirement.

Gratuity [Section 10(10)]

Gratuity is a payment made by an employer as a token of appreciation for an employee's service.

Category of Employee	Particulars (Taxability/Exemption u/s 10)
Central Government employees/ Members of Civil Services/ local authority employees etc.	Fully exempt u/s 10(10)(i)
Other Employees	**Employee Covered by POGA, 1972** 1. Received 2. ₹20,00,000 3. 15/26 × Salary p.m. × Number of Completed Years Notes: 1. Salary = Last Drawn Salary + DA (both)

	2. If the number of months is more than 6, then round it off, for e.g., 26 years 7 months → 27 years **Employee Not Covered by POGA, 1972** 1. Received 2. ₹20,00,000 3. ½ × 10 Months' Average Salary × Number of Completed Years Notes: 1. Average is to be calculated for 10 months: a. Basic Salary b. DA (in terms) c. Commission on Turnover 2. Any fraction of years is to be ignored.

Important Question: Question 6

Pension [Section 10(10A)]

Component of Salary	Category of Employee	Particulars (Taxability/ Exemption u/s 10)
Uncommuted Pension	Government & non-government employees	Fully Taxable
Commuted Pension	Employees of Central Government/ local authorities/ Statutory corporation/ members of Civil services/ All-India services/ Defence Services	Fully exempt under section 10(10A)(i)
	Other Employees	1. If Gratuity is also received, Exemption = 1/3 × Total Pension 2. If Gratuity is not received, Exemption = ½ × Total Pension

Important Questions: Question 8

Leave Salary or Leave Encashment [Section 10(10AA)]

This is the compensation given to employees for un-availed leaves.

Component of Salary	Category of Employee	Particulars (Taxability/Exemption u/s 10)
Received during service	Government & Non-Government Employees	Fully Taxable
Received at the time of retirement, (whether on superannuation or otherwise)	Government Employees	Fully exempt u/s 10(10AA)(i)
	Non-Government Employees	Least of the following is exempt: 1. Received 2. ₹25,00,000 3. Leave Credit (in months) × Average Salary p.m. 4. Average Salary p.m. × 10 months Notes:

		1. Average is to be calculated for 10 months: a. Basic Salary b. DA (in terms) c. Commission on Turnover 2. Leave Credit = Leave Allowed – Leave Taken 3. Maximum Leaves allowed in a year = 30 Days

Important Questions: Questions 9, 10

Retrenchment Compensation [Section 10(10B)]

Particulars (Taxability/Exemption u/s 10)
Least of the following is exempt: 1. Actual Received 2. ₹ 5,00,000 3. Compensation as per Industrial Dispute Act Notes: 1. Compensation as per Industrial Dispute Act = 15/26 × Average Salary of last 3 months × No. of completed years 2. If the number of months is more than 6, then round it off, for e.g., 26 years 7 months → 27 years 3. Average Salary = Basic + DA (in terms) + Commission on Turnover

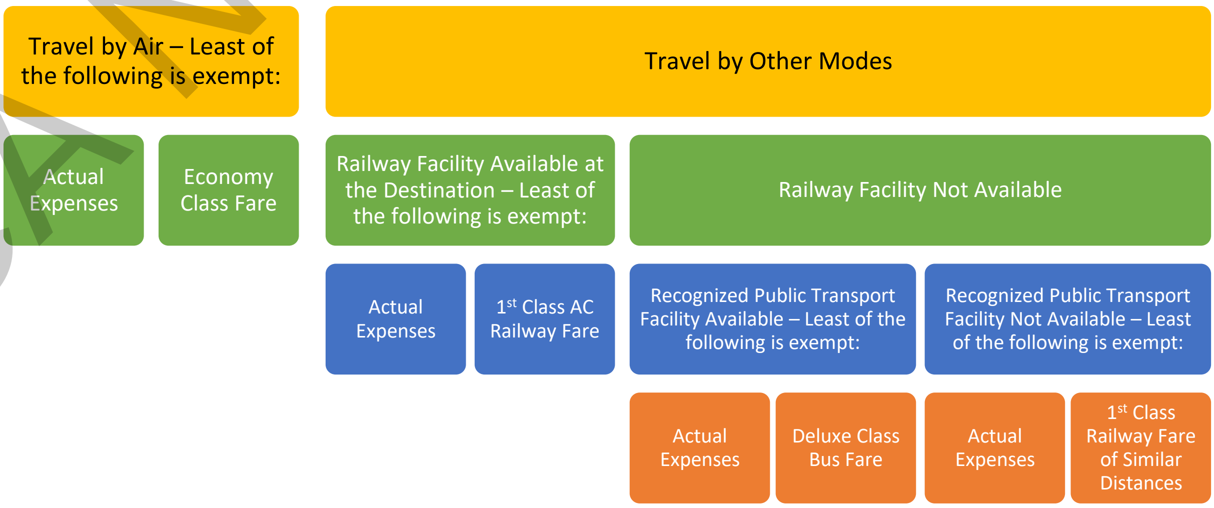
Important Question: Question 13

Voluntary Retirement Compensation [Section 10(10C)]

Particulars (Taxability/Exemption u/s 10)
Least of the following is exempt: 1. Received 2. ₹ 5,00,000 3. 3 × Salary p.m. × No. of completed years 4. Last Drawn Salary × Remaining Months of Service Left Note: Salary = Basic + DA (in terms) + Commission on Turnover

Important Question: Question 14

Leave Travel Concession [Section 10(5)]



- Exemption is available for 2 trips in a block of 4 calendar years.
- Exemption is available only under Old Scheme.
- Exemption is available to the employee, spouse, 2 children and dependent relatives (parents and siblings); exemption allowed for multiple births after the first child from 01-10-1998.

Provident Funds – Exemption and Taxability Provisions

<table>
<tr><th>Particulars</th><th>Recognized PF</th><th>Unrecognized PF</th><th>Statutory PF</th><th>Public PF</th></tr>
<tr><td>Employer's Contribution</td><td>Taxable in excess of 12% of Salary u/s 17(1)</td><td>Not taxable at the time of contribution</td><td>Fully Exempt</td><td>N.A.</td></tr>
<tr><td>Employee's Contribution</td><td>Deduction u/s 80C is allowed under Old Scheme</td><td>Not eligible for deduction</td><td>Deduction u/s 80C is allowed under Old Scheme</td><td>Deduction u/s 80C is allowed under Old Scheme</td></tr>
<tr><td>Interest on Employer's Contribution</td><td>Taxable in excess of 9.5% p.a. u/s 17(1)</td><td>Not taxable at the time of credit</td><td>Fully Exempt</td><td>N.A.</td></tr>
<tr><td>Interest on Employee's Contribution</td><td>Taxable in excess of 9.5% p.a. u/s 17(1)</td><td>Not taxable at the time of credit</td><td>Exempt upto a certain limit of contribution</td><td>Fully Exempt</td></tr>
<tr><td>Amount withdrawn on Retirement/ Termination</td><td>Exempt, if:
1. Work for 5+ years,
2. Retire early due to ill health or employer issues,
3. Transfer their provident fund to a new employer's account, or
4. Move their balance to an NPS account per section 80CCD.
In other cases, it will be taxable.</td><td><table><tr><th>Component</th><th>Taxable As</th></tr><tr><td>Employer's Contribution</td><td>Salary</td></tr><tr><td>Interest on Employer's Contribution</td><td>Salary</td></tr><tr><td>Employee's Contribution</td><td>Not Taxable</td></tr><tr><td>Interest on Employee's Contribution</td><td>Income from Other Sources</td></tr></table></td><td>Fully Exempt u/s 10(11)</td><td>Fully Exempt u/s 10(11)</td></tr>
</table>

Notes:

1. As per section 10(11), any payment from a Provident Fund (PF) to which Provident Fund Act, 1925, applies or from Public Provident Fund would be exempt.
2. Accumulated balance due and becoming payable to an employee participating in a Recognized Provident Fund (RPF) would be exempt under section 10(12).
3. From 01-04-2021,

   a. If the employee’s contribution in a year is more than ₹ 2,50,000, then any interest earned on the amount exceeding ₹ 2,50,000 is taxable.
   b. However, if the employer’s contribution is not there, then this limit is ₹ 5,00,000, i.e., any interest earned on the amount exceeding ₹ 5,00,000 is taxable.
4. It may be noted that interest accrued on contribution to such funds upto 31st March, 2021 would be exempt without any limit, even if the accrual of income is after that date.

Important Questions: Questions 11, 12

Valuation of Specified Security (ESOPs) or Sweat Equity Share

Employee Stock Option Plan (ESOP)	**A program where employers offer employees the option to buy company stocks at present value after a specified period, provided the employee remains with the company.**
Sweat Equity Shares	Shares issued by a company to employees or directors at a discount, or for non-cash contributions such as intellectual property or other value additions.
Taxability of ESOPs/Sweat Equity Shares	Occurs when these shares are allotted or transferred, whether by the current or a former employer.
Taxable Value Calculation	The taxable value is calculated by taking the Fair Market Value (FMV) of the shares on the date the option is exercised and subtracting any amount paid by or recovered from the employee.
Deferment of Taxability for Startups	For ESOPs issued by eligible startups, tax payment is deferred to within 14 days after the first of either 48 months after the end of the relevant assessment year, the sale of the shares, or the cessation of the employee's employment with the company.
Fair Market Value (FMV) Determination Methods	
Listed Equity Shares	If traded on a single recognized stock exchange on the exercise date, FMV is the average of the opening and closing prices on that day.
	If not traded on the exercise date but listed on a single exchange, FMV is the closing price on the closest preceding day when it was traded.
	If traded on multiple exchanges, FMV is the average of the opening and closing prices on the exchange with the highest trading volume.
	If not traded on any exchange on the exercise date but listed on multiple exchanges, FMV is the closing price on the exchange with the highest trading volume on the closest preceding trading day.
Unlisted Equity Shares	FMV is determined by a Category I Merchant Banker registered with SEBI on a specified date.
Non-Equity Specified Securities	FMV is determined by a merchant banker on a specified date.

Important Questions: Questions 32, 33

Amount or the Aggregate of Amounts of Any Contribution Made to the Account of the Assessee by Employer in a Recognised Provident Fund, or in NPS, or in an Approved Superannuation Fund [Section 17(2)(vii)]

1. Employer contributions exceeding ₹7,50,000 to specific funds for an employee are taxed as perquisites under Section 17(2)(vii).

2. These specific funds include:
    a. Recognised Provident Fund,
    b. National Pension System (NPS) as per Section 80CCD(1),
    c. Approved Superannuation Fund.
3. Interest or any other earnings on the excess contribution (over ₹7,50,000) from these funds are also taxed as perquisites under Section 17(2)(viia).
4. The law mandates the inclusion of annual accretion (interest, dividends, etc.) on the excess employer contribution in the employee's total income.
5. The Central Board of Direct Taxes (CBDT) has outlined a formula under Rule 3B for calculating the taxable perquisite from annual accretion:
   TP = (PC/2)*R + (PC1 + TP1)*R, where TP represents the taxable perquisite, PC is the excess employer contribution for the year, PC1 is the excess contribution from previous years, TP1 is the taxable perquisite from previous years, R is the rate of income accrued, and Favg is the average fund balance.
6. The calculation takes into account the average fund balance and income accrued during the year to determine the taxable amount of the excess contribution and its earnings.

Important Question: Question 10

Contribution made by the Central Government in the Previous Year, to the Agniveer Corpus Fund Account of an Individual Enrolled in the Agnipath Scheme Referred to in Section 80CCH

1. The Agnipath Scheme, started by the Central Government in 2022, recruits Indian youth for a four-year military service as Agniveers.
2. A dedicated Agniveer Corpus Fund was established to support the scheme, within the Public Account's interest-bearing section.
3. Agniveers and the Central Government each contribute a fixed percentage of the Agniveers' monthly earnings to this fund.
4. The Agniveer Corpus Fund pools contributions from Agniveers and matching amounts from the government, including accrued interest, in separate accounts.
5. The government's contribution to an Agniveer's fund account is considered part of the employee's salary under section 17(1).
6. Deductions for both Agniveers' and the government's contributions to the fund are allowed under section 80CCH when computing the total income of individuals enrolled in the scheme.
7. The deduction for the government's contribution is available under section 80CCH(2) regardless of the tax regime chosen.
8. The deduction for the Agniveer's own contribution is available under section 80CCH(1) only if opting out of the default tax regime as per section 115BAC(1A).

Valuation Rent-Free Residential Accommodation/Accommodation Provided to an Employee at Concessional Rate

Rules till 31-08-2023:

Circumstance	Unfurnished Accommodation	Furnished Accommodation	
		Furniture Owned by Employer	Furniture Rented by Employer

(1)	(2)	(3)	(4)	
1.	Provided by Government to employees holding office/post in Government affairs	License Fee (determined by Government) – Actual Rent Paid	Value as per Column (3) + 10% of Cost of Furniture	Value as per Column (3) + Hire Charges of Furniture
2.	Provided by Other Employer			
	• Employer is the owner of accommodation	Population ≤ 10 lakhs: 7.5% of Salary 10 lakhs < Population ≤ 25 lakhs: 10% of Salary Population > 25 lakhs: 15% of Salary	Value as per Column (3) + 10% of Cost of Furniture	Value as per Column (3) + Hire Charges of Furniture
	• Accommodation is taken on lease or rent	Lower of: • Actual Rent Paid by Employer • 15% of Salary	Value as per Column (3) + 10% of Cost of Furniture	Value as per Column (3) + Hire Charges of Furniture
3.	Accommodation provided in hotel	Not applicable	Lower of: • Actual Charges Paid/ Payable to the hotel • 24% of salary	

Notification No. 65/2023, dated 18-08-2023

From 1st September, 2023, the value of accommodation will be calculated as follows:

Circumstance		Unfurnished Accommodation	Furnished Accommodation	
			Furniture Owned by Employer	**Furniture Rented by Employer**
(1)	(2)	(3)	(4)	
1.	Provided by Government to employees holding office/post in Government affairs	License Fee (determined by Government) – Actual Rent Paid	Value as per Column (3) + 10% of Cost of Furniture	Value as per Column (3) + Hire Charges of Furniture
2.	Provided by Other Employer			
	• Employer is the owner of accommodation	**Population ≤ 15 lakhs: 5% of Salary** **15 lakhs < Population ≤ 40 lakhs: 7.5% of Salary** **Population > 40 lakhs: 10% of Salary**	Value as per Column (3) + 10% of Cost of Furniture	Value as per Column (3) + Hire Charges of Furniture
	• Accommodation is taken on lease or rent	**Lower of:** • **Actual Rent Paid by Employer** • **10% of Salary**	Value as per Column (3) + 10% of Cost of Furniture	Value as per Column (3) + Hire Charges of Furniture
3.	Accommodation provided in hotel	Not applicable	Lower of: • Actual Charges Paid/ Payable to the hotel • 24% of salary	

Adjustment for Inflation: If the same accommodation is provided for more than one year, the value is adjusted based on the Cost Inflation Index.

Note: Salary =

1. Basic Salary
2. DA (in terms)
3. Bonus
4. Taxable Allowances
5. Commission (All types)
6. Monetary Income (Other than Perquisites)

Question 15 – ICAI SM – Illustration 14

Mr. C is a Finance Manager in ABC Ltd. The company has provided him with rent free unfurnished accommodation in Mumbai. He gives you the following particulars:

Basic Salary	₹ 6,000 p.m.
Dearness Allowance	₹ 2,000 p.m. (30% is for retirement benefits)
Bonus	₹ 1,500 p.m.

Even though the company allotted the house to him on 1.4.2023, he occupied the same only from 1.11.2023. Calculate the taxable value of the perquisite for A.Y. 2024-25.

Solution

Computation of Taxable Perquisite

Particulars	**₹**
Basic Salary (₹ 6,000 × 5)	30,000
Dearness Allowance (30% × ₹ 2,000 × 5)	3,000
Bonus (₹ 1,500 × 5)	7,500
	40,500
10% of this	4,050

Note: Since, Mr. C occupies the house only from 1.11.2023, we have to include the salary due to him only in respect of months during which he has occupied the accommodation. Hence salary for 5 months (i.e., from 1.11.2023 to 31.03.2024) will be considered.

Question 16 – ICAI SM – Illustration 15

Mr. C is a Finance Manager in ABC Ltd. The company has provided him with rent free unfurnished accommodation in Mumbai. He gives you the following particulars:

Basic Salary	₹ 6,000 p.m.
Dearness Allowance	₹ 2,000 p.m. (30% is for retirement benefits)
Bonus	₹ 1,500 p.m.

Even though the company allotted the house to him on 1.4.2023, he occupied the same only from 1.11.2023. Compute the value of the perquisite if Mr. C is required to pay a rent of ₹ 500 p.m. to the company, for the use of this accommodation.

Solution

Computation of Taxable Perquisite

Particulars	**₹**
Basic Salary (₹ 6,000 × 5)	30,000

Dearness Allowance (30% × ₹ 2,000 × 5)	3,000
Bonus (₹ 1,500 × 5)	7,500
	40,500
10% of this	4,050
Less: Rent recovered from the employee (₹ 500 × 5)	2,500
Taxable Perquisite Value	1,550

Note: Since 15% of salary exceeds the rent recovered from the employee, there is a deemed concession in the matter of rent, and hence the excess of 15% of salary over rent recovered by the employer will be chargeable to tax.

Question 17 – ICAI SM – Illustration 16

Mr. C is a Finance Manager in ABC Ltd. The company has provided him with rent free unfurnished accommodation in Mumbai. He gives you the following particulars:

Basic Salary	₹ 6,000 p.m.
Dearness Allowance	₹ 2,000 p.m. (30% is for retirement benefits)
Bonus	₹ 1,500 p.m.

Even though the company allotted the house to him on 1.4.2023, he occupied the same only from 1.11.2023. Compute the value of the perquisite if ABC Ltd. has taken this accommodation on a lease rent of ₹ 1,200 p.m. and Mr. C is required to pay a rent of ₹ 500 p.m. to the company, for the use of this accommodation.

Solution

Computation of Taxable Perquisite

Particulars		₹
Basic Salary (₹ 6,000 × 5)	30,000	
Dearness Allowance (30% × ₹ 2,000 × 5)	3,000	
Bonus (₹ 1,500 × 5)	7,500	
	40,500	
10% of this	4,050	
Hire Charges Paid by Employer (₹ 1,200 × 5)	6,000	
Lower of the above		4,050
Less: Rent recovered from the employee (₹ 500 × 5)		2,500
Taxable Perquisite Value		1,550

Note: Since 15% of salary, or rent paid by the employer, whichever is lower, exceeds the rent recovered from the employee, there is a deemed concession in the matter of rent, the excess will be chargeable to tax.

Question 18 – ICAI SM – Illustration 17

Mr. C is a Finance Manager in ABC Ltd. The company has provided him with rent free unfurnished accommodation in Mumbai. He gives you the following particulars:

Basic Salary	₹ 6,000 p.m.
Dearness Allowance	₹ 2,000 p.m. (30% is for retirement benefits)
Bonus	₹ 1,500 p.m.

Even though the company allotted the house to him on 1.4.2023, he occupied the same only from 1.11.2023. Compute the value of the perquisite if ABC Ltd. has provided a television (WDV ₹ 10,000;

Cost ₹ 25,000) and two air conditioners. The rent paid by the company for the air conditioners is ₹ 400 p.m. each. The television was provided on 1.1.2024. However, Mr. C is required to pay a rent of ₹ 1,000 p.m. to the company, for the use of this furnished accommodation.

Solution

Computation of Taxable Perquisite

Particulars	**₹**
Value of Rent free unfurnished accommodation {10% of Salary (Note 1)}	4,050
Add: Value of Furniture provided by Employer (Note 2)	4,625
Value of rent free furnished accommodation	8,675
Less: Rent paid by employer (₹ 1,000 × 5)	5,000
Taxable Perquisite Value	3,675

Notes:

1. Calculation of 15% of Salary

Particulars	**₹**
Basic Salary (₹ 6,000 × 5)	30,000
Dearness Allowance (30% × ₹ 2,000 × 5)	3,000
Bonus (₹ 1,500 × 5)	7,500
	40,500
15% of this	4,050

2. Calculation of Value of Furniture provided by Employer

Particulars	**₹**
Television (10% of Cost for 3 months) (10% × ₹ 25,000 × 3/12)	625
Air Conditioners (Rent Paid by Employer) (₹ 400 p.u. × 2 × 5 months)	4,000
Value of Furniture provided by Employer	4,625

Question 19 – ICAI SM – Illustration 18

Mr. C is a Finance Manager in ABC Ltd. The company has provided him with rent free unfurnished accommodation in Mumbai. He gives you the following particulars:

Basic Salary	₹ 6,000 p.m.
Dearness Allowance	₹ 2,000 p.m. (30% is for retirement benefits)
Bonus	₹ 1,500 p.m.

Even though the company allotted the house to him on 1.4.2023, he occupied the same only from 1.11.2023. ABC Ltd. has provided a television (WDV ₹ 10,000; Cost ₹ 25,000) and two air conditioners. The rent paid by the company for the air conditioners is ₹ 400 p.m. each. The television was provided on 1.1.2024. However, Mr. C is required to pay a rent of ₹ 1,000 p.m. to the company, for the use of this furnished accommodation. Compute the value of the perquisite if Mr. C is a government employee. The license fees determined by the Government for this accommodation was ₹ 700 p.m.

Solution

Computation of Taxable Perquisite

Particulars	**₹**
Value of Rent free unfurnished accommodation (₹ 700 × 5)	3,500
Add: Value of Furniture provided by Employer (Note 1)	4,625
Value of rent free furnished accommodation	8,125
Less: Rent paid by employer (₹ 1,000 × 5)	5,000

Taxable Perquisite Value	3,125

Note 1 - Calculation of Value of Furniture provided by Employer

Particulars	₹
Television (10% of Cost for 3 months) (10% × ₹ 25,000 × 3/12)	625
Air Conditioners (Rent Paid by Employer) (₹ 400 p.u. × 2 × 5 months)	4,000
Value of Furniture provided by Employer	4,625

Question 20

Calculate the value of perquisite, if any, chargeable to tax in respect of free accommodation provided by the employer in a hotel to an employee:

1. For 10 days when he was transferred from Delhi to Mumbai
2. Throughout the year as per contract of employment

Solution

1. When the employee is provided accommodation in a hotel for a period not exceeding 15 days on account of his transfer from one place to another, then the value of such perquisite shall be NIL. In this case, since the period of hotel accommodation doesn't exceed 15 days, and the same has been provided on the transfer of employee from Delhi to Mumbai, the same shall be exempt.
2. When hotel accommodation is provided throughout the year as per contract of employment, the taxable value shall be lower of:
   a. The actual charges paid/payable to such hotel, or
   b. 24% of salary.

   Any amount recovered from the employee shall be reduced.

Valuation of Interest Free or Concessional Loan

Taxable Perquisite = Loan Amount × [SBI Interest Rate on 1st April of P.Y. – Actual Rate of Interest]

Notes:

1. If aggregate loan is upto ₹ 20,000, then interest benefit is NOT taxable.
2. If loan is taken for treatment of specified disease, then interest benefit is not taxable even if loan amount is more than ₹ 20,000.

Important Question: Question 26

Perquisite of Motor Car or Other Conveyance Facility

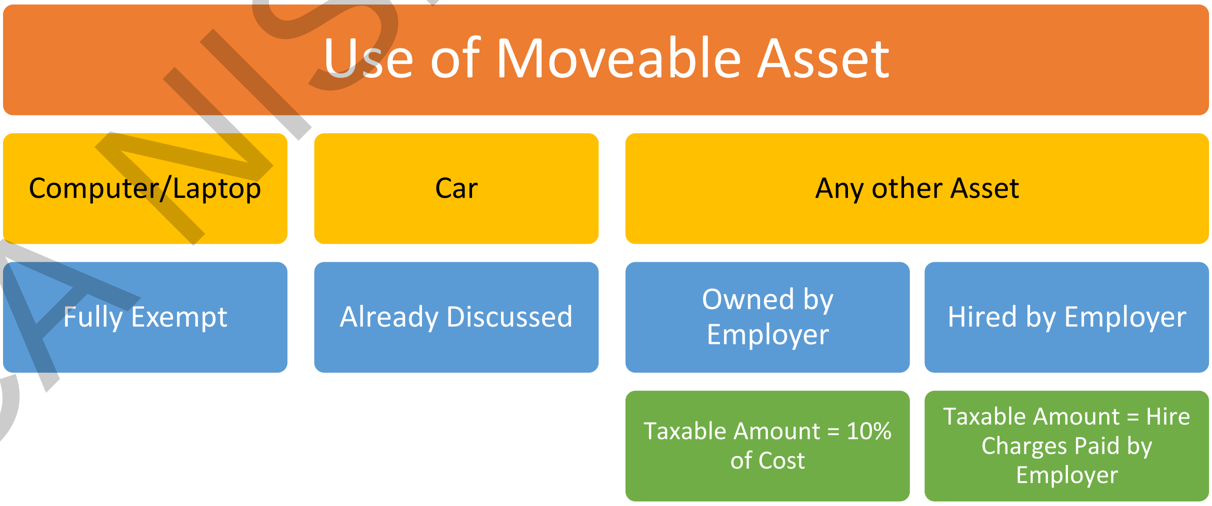
A. Motor Car					
Particulars		**Use**			
		Wholly Official	**Partly Official Partly Private**		**Wholly Private**
			Cubic Capacity ≤ 1.6 Litres	**Cubic Capacity > 1.6 Litres**	
Owned by Employer	Maintained by Employer	NIL (Note)	₹ 1,800 p.m. + ₹ 900 p.m. (if	₹ 2,400 p.m. + ₹ 900 p.m. (if	Maintenance Charges + Chauffer's

			chauffer is also provided)	chauffer is also provided)	Salary + 10% of Cost – Amount Recovered from Employee
	Maintained by Employee	NIL (Note)	₹ 600 p.m. + ₹ 900 p.m. (if chauffer is also provided)	₹ 900 p.m. + ₹ 900 p.m. (if chauffer is also provided)	10% of Cost
Hired by Employer	Maintained by Employer	NIL (Note)	₹ 1,800 p.m. + ₹ 900 p.m. (if chauffer is also provided)	₹ 2,400 p.m. + ₹ 900 p.m. (if chauffer is also provided)	Maintenance Charges + Chauffer's Salary + Hire Charges – Amount Recovered from Employee
	Maintained by Employee	NIL (Note)	₹ 600 p.m. + ₹ 900 p.m. (if chauffer is also provided)	₹ 900 p.m. + ₹ 900 p.m. (if chauffer is also provided)	Hire Charges
Owned by Employee	Maintained by Employer	NIL (Note)	Amount Incurred by Employer + ₹ 900 p.m. (if chauffer is also provided) – ₹ 1,800 p.m.	Amount Incurred by Employer + ₹ 900 p.m. (if chauffer is also provided) – ₹ 2,400 p.m.	Amount Incurred by Employer – Amount Recovered from Employee
			B. Other Conveyance		
Owned by Employee	Maintained by Employer	NIL (Note)	Amount Incurred by Employer – ₹ 900 p.m.		Amount Incurred by Employer – Amount Recovered from Employee

Note: Provided employer maintains the complete details of such journey and expenditure thereon and gives a certificate that such expenditure are incurred wholly for official use.

Important Question: Question 23

Use of Moveable Assets [Sub-rule 7(vii) of Rule 3]



Transfer of Moveable Assets [Sub-rule 7(viii) of Rule 3]

Transfer of Moveable Asset

Computer/Laptop	Car	Any other Asset
Taxable Value = WDV – Consideration	Taxable Amount = WDV – Consideration	Taxable Amount = WDV – Consideration
Depreciation @ 50% on WDV Method	Depreciation @ 20% on WDV Method	Depreciation @ 10% on SLM Method

Depreciation should be calculated only for each completed year from the date on which employer acquires the asset till transfer of asset.

Important Questions: Questions 27, 28, 30

Deductions from Gross Salary [Section 16]

S. No.	Particulars
1.	**Standard deduction [Section 16(ia)]** Standard deduction of upto ₹50,000. Note - Deduction is available under both schemes.
2.	**Entertainment allowance (allowable only in the case of government employees) [Section 16(ii)]** Least of the following is exempt: 1. Received 2. ₹5,000 3. 1/5th of Basic Salary Deduction is available only under Old Scheme.
3.	**Professional tax [Section 16(iii)]** 1. Any sum paid by the assessee on account of tax on employment is allowable as deduction upto ₹2,500 p.a. 2. In case professional tax is paid by employer on behalf of employee, the amount paid shall be included in gross salary as a perquisite and then deduction can be claimed. 3. Note - Deduction is available only under Old Scheme.

Relief u/s 89

Step 1	**Calculate tax payable of the previous year in which the arrears/advance salary is received by considering:**	
	(a)	Total Income inclusive of additional salary
	(b)	Total Income exclusive of additional salary
Step 2	Compute the difference the tax calculated in Step 1 and Step 2 [i.e., (a) – (b)]	
Step 3	Calculate the tax payable of every previous year to which the additional salary relates:	
	(a)	On total income including additional salary of that particular previous year
	(b)	On total income excluding additional salary.

Step 4	Calculate the difference between (a) and (b) in Step 3 for every previous year to which the additional salary relates and aggregate the same.
Step 5	Relief under section 89(1) = Amount calculated in Step 2 – Amount calculated in Step 4

Important Questions: Questions 40, 41, 42, 43, 44